

FISCAL NOTE

Bill #: SB0282

Title: Revise workers' compensation laws

Primary Sponsor: Squires, C

Status: Second Reading - Revised

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
Expenditures:		
State Special Revenue	\$0	\$0
Other	\$200,000-\$250,000	\$200,000-\$250,000
Revenue:		
State Special Revenue	\$0	\$4,859
Other	\$200,000-\$250,000	\$200,000-\$250,000
Net Impact on General Fund Balance:	\$0	\$0

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|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

State Fund

1. The National Council on Compensation Insurance, Inc. (NCCI) was requested by the State Fund to complete an analysis of the cost of this legislation as introduced on Montana's workers' compensation and occupational disease system.
2. As amended, this bill reduces the waiting period for Temporary Total Disability benefits from 40 hours or 5 days of wage loss to 32 hours or 4 days of wage loss.
3. NCCI, Inc. estimates that overall system costs could increase 0.2 – 0.3% (\$400,000 - \$500,000).
4. The State Fund comprises approximately half of the NCCI estimated cost of this legislation. That equates to \$200,000 - \$250,000 in each year of the biennium based on NCCI's estimate.
5. The State Fund is funded through premiums charged to policyholders and investment income.
6. The State Fund is required in law to '...charge premiums for the classifications so that the state fund will be neither more nor less than self-supporting.' 39-71-2316(5), MCA.
7. Increases in expenditures will be factored into the ratemaking process with a subsequent increase in policyholder premiums. State Fund estimates an increase in premium rates of 0.2 percent – 0.3 percent.

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(continued)

8. State Fund estimates additional premium revenue of \$200,000 - \$250,000 will need to be collected in each year of the biennium to offset the increased expenditures driven by this legislation.

Department of Labor and Industry

9. Approximately 20 percent of all claims filed by injured workers result in the payment of wage loss benefits. The average number of reported claims is 32,829 each year, resulting in approximately 6,566 (32,829 x 20 percent) claims being impacted by this bill.
10. The average temporary total disability payment (TTD) paid on a claim is \$4,139 and the 5-year average for paying TTD on a claim is 16 weeks.
11. The average weekly benefit amount (awb) is \$259 (\$4,139/ 16 wks.)
12. The additional payment of wage loss benefits is a 1-day benefit change that will equate to \$242,942 (6,566 claims x \$259awb/7days).
13. This bill is effective upon passage. Assuming an effective date of May 1, 2003, eight months of insurer benefit expenditures equates to \$161,961 (8/12 x \$242,942). Those additional benefits paid will result in additional revenue for the workers' compensation administration fund in FY 2005 of \$4,859 (161,961 x 3 percent workers' compensation assessment rate). Because the workers' compensation assessment is based on the benefit payments from the prior year and is sent each spring with payment not being due until July 1, the fiscal impact to the department will not occur until FY 2005.
14. The additional payments that may be made out of the unemployment insurance fund would be nominal.

FISCAL IMPACT:

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
State Fund		
<u>Expenditures:</u>		
Benefits	\$200,000 - \$250,000	\$200,000 - \$250,000
<u>Funding of Expenditures:</u>		
Proprietary (06)	\$200,000 - \$250,000	\$200,000 - \$250,000
<u>Revenues:</u>		
Proprietary (06)	\$200,000 - \$250,000	\$200,000 - \$250,000

Department of Labor and IndustryRevenues:

State Special Revenue (Workers' Comp. Regulation 02455)	0	\$4,859
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

Special Revenue (Workers' Comp Regulation 02455)	0	\$4,859
Proprietary (06)	\$0	\$0